

"Panikin's Micro-Worlds:  
Building a Positive Image of the Grassroots Entrepreneur"

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The Moscow merchant—  
He cheats with every stitch.  
What sort of native son is he?  
He's just a son of a bitch.  
—19<sup>th</sup>-century doggerel,  
Buryshkin, Moskva kupecheskaia, 47.

Trofimov (the intellectual) to Lopakhin (the merchant-entrepreneur): "you are rich, soon you'll be a millionaire. And since, in the nature of things, we need birds of prey who devour everything in their path, you're needed, too."  
—Chekhov, The Cherry Orchard, act 2.

Trofimov: "We may never see each other again, so allow me to give you a piece of advice before we separate: stop waving your arms! . . . And another thing: this building of summer houses, and your plans for the summer people one day being turned into private owners—that adds up to the same thing as waving your arms about."  
—Chekhov, The Cherry Orchard, act 4.

For Marx, capital is an abstract thing, faceless and therefore dead. Marx took a mollusk and studied the pattern on its shell, without asking why it is alive.  
—Panikin, Private Wealth—National Vision, 46.

How does an entrepreneur create a sense of legitimacy and belonging in a national culture in which state, private enterprise, and consumer are all deeply alienated from one another?<sup>1</sup> Russia is a country with at least five centuries' depth of suspicion with regard to free market and private enterprise. In 1471, when capital development was on its way in Europe, the free-trading, Hanseatic city of Novgorod was shut down by its more powerful neighbor Muscovy. Independent economic activity was

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<sup>1</sup> Here's a late-Soviet anecdote about the ineptitude of state economic planning:

In Lenin's time (NEP, early 1920s) the government decided to allow small-scale private rabbit farming. In Stalin's time (1930s) Stalin decided to kill the rich peasants and steal their rabbits. In Khrushchev's time (1950s) the state pursued a policy of destroying the natural habitat of the wild rabbits and catching them all as they escaped. In Brezhnev's time (1970s) the state decided to buy rabbits from the United States. In Gorbachev's time (late 1980s) the bureaucrats created a new ministry to draw a picture of a rabbit and critique it.

increasingly bridled and controlled by the Muscovite state, which had a strong military as its first priority. Foreign traders were kept in a ghetto of Moscow known as the "German Quarter." By the mid-seventeenth century the possibilities for native entrepreneurs, the merchants, had become strongly circumscribed. Their opportunities for travel were slim, they were limited to trading only in their local district, and they were much more heavily taxed than the landowning nobility. As Russia started to modernize and westernize in the 18<sup>th</sup> century, this merchant caste as a whole stayed behind in a kind of medieval shadow, stuck in their local rituals of buying and selling (Rieber, 77). Lucrative manufacturing and mining patents were handed to nobility willing to do the state's bidding.

Throughout the nineteenth century, well before the Bolshevik Revolution of 1917, capitalism was seen as something alien to Russian culture, something imported from Western Europe. Large factories were concentrated in a handful of cities, and the rest of the country was agrarian and, except for the railroad, was almost completely lacking in economic and technological infrastructure. It functioned largely through a barter economy (Owen, 9).<sup>2</sup> Despite the fact that Western European entrepreneurs settled in Russia and owned and operated some of Russia's largest pre-revolutionary industries, they continued to live in their own "colonies," typically not fully assimilating.

This situation fostered the commonly held view that Russia's economic strength was in the land, not in the factory. As the famous memoirist Pavel Buryshkin wrote in his book, Merchant Moscow: "For an unbelievably long time Russians held to the opinion that their country was agrarian. Manufacturing was superfluous, Russian industry would

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<sup>2</sup> One could observe a cashless economy at work even in the 1990s when manufacturers tried to pay wages in goods manufactured at their plant rather than in cash. See: "The Cashless Economy," The Economist, March 15, 1997, 77.

never be able to compete with Western European industry, and, finally, the factory and its whole way of life was corrupting people" (Buryshkin, 38). Not only were Russian entrepreneurs seen as being substandard by comparison with their western counterparts, but industrialization itself was viewed by the state and the educated elite as a morally corrosive force, something that Russia should avoid and leave to other countries.

On the whole, the pre-revolutionary Russian merchantry was indeed poorly educated, culturally backward, and politically benighted. It earned the reputation of being deceptive and merciless. Powerful writers focused on merchant life as the "realm of darkness," embodying everything that was wrong with Russia. Such Russian classics as Tolstoy's War and Peace or Dostoevsky's Brothers Karamazov show merchants as speculators and cheaters, sometimes cruel and always dishonest and greedy. The "good" entrepreneur is typically an uninteresting, even bland, foreigner. In Goncharov's novel, Oblomov, the honest, industrious businessperson is a russified German, a rather flat character, in contrast to the feckless, but much more fully drawn and emotionally appealing, Russian nobleman.

The modern Russian industrial elite, when it emerged in the last decades of the nineteenth century, could find no principle of solidarity and no unified voice. It was fragmented along ethnic, geographical, and class lines. There was no cohesion among ethnic groups, Jews, Poles, Azeris, Armenians, and Russians (Owen, in Clowes et al., 74-89). Oil barons in Baku on the Caspian Sea had little to do with textile mill owners in the central, Moscow region, who in turn perceived little commonality with the arms makers up in St. Petersburg and the Baltic area. Industrialists from the traditional merchantry felt they shared few interests with gentry industrialists or with professionals of mixed social and ethnic background working in industry.

During the Soviet era under Stalin private enterprise was eventually completely shut down and only reopened when widespread famine threatened the country, on the tiny scale of peasants selling fresh fruits and vegetables grown on their kitchen plots. Capitalist entrepreneurs were depicted on Stalinist posters and in novels and movies as fat, luxury-loving, self-dealing crooks. No wonder that, when Soviet industries were sold off excessively cheaply to private owners in the mid-1990s, among the biggest players sometimes did behave, and always were perceived to have behaved, according to this stereotype, with little interest in cooperating with and giving back to the larger society.<sup>3</sup> On all too many occasions, capital has been siphoned off to offshore sites and thus not made available for the enrichment of Russia. Meanwhile, true grassroots entrepreneurship among people without Communist Party connections developed very slowly. Small- and middle-sized business, particularly manufacturing, was and continues to be weak. Both tax and legal infrastructures are still poorly developed and do not work to stimulate entrepreneurialism.

The role of public attitudes to business and capital wealth should not be underestimated and may well have some bearing on the historical tendency of the Russian state to oppress native private initiative. The long-held public prejudice against wealth and resentment aimed at well-to-do people shines through in such situations. Russian economic culture has been called a “culture of envy” (Smith, 200). American readers sometimes believe that Russians would jump at the chance for an American-style free market economy and economic individualism if only they were not so oppressed by their government. Although they made use

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<sup>3</sup> During these years of the mid-1990s there was a whole industry making money around the “new Russian” entrepreneurs. In the heart of Moscow, on the ancient Arbat, was a store called “The New Russians’ World,” with all sorts of over-priced knickknacks that made fun of the new entrepreneurs, e.g. dice, playing cards decorated with the emblems of the “good life,” a “new Russian” primer. During my trip to Moscow this October I paid a visit, only to find that the sign was still there, but the store had closed.

of black market opportunities for better consumer goods, it is not true that the Soviet public as a whole was secretly for private enterprise. If they had been, it is unlikely that the Soviet system would have lasted in the same rigid form as long it did. Until recently, and even now in many places, the typical attitude toward wealth has been that, if someone has it, then they probably stole it.

In the mid-1990s, during privatization, the populace was generally suspicious of the notion of wealth. In our pilot interviews of June, 1996, one interviewee articulated the familiar idea that: „Ordinary [Russian] people do not like rich people." This person went on to say that many people resented people who show initiative: „the middle class. . . is alright with them. But if you go. . . into the countryside [you'll find that] people do not always appreciate a person with initiative." And later in the conversation: „if you and I were to go to some working collective, we would gather that if a person just rises up to a certain level, people start to dislike him. Maybe it is envy, or maybe something else. But people who achieve a lot are not well liked here" (personal interview with CEO, Biznes Bank, June 4, 1996).

After the collapse of the ruble in August, 1998, the situation changed in some ways for the better. Because of higher prices for foreign goods, Russians beyond the bounds of Moscow and other major cities started to support their own industry and to accept native entrepreneurship and personal wealth. One 1999-2000 study of 1200 interviews in the industrial Samara region of the Volga River (which is generally viewed as a relatively prosperous area) claimed optimistically that 50% of the population was adjusting well to the market economy. While many preferred a socialist economy for job security and equality (60.2%), almost 5% more liked the emphasis on personal self-reliance

that is characteristic of capitalism (65%).<sup>4</sup> Similarly, while 30% of interviewees felt more comfortable with the "economic equality" of a socialist economy, a full 35% preferred the "permanent instability" of a market economy, and, amazingly, about 53% liked economic inequality. Most remarkably, a full 80% of those interviewed were attracted to a market economy by the possibility of "personal success."

This study shows that attitudes toward personal wealth and poverty were changing. Interviewees were generally accepting of some personal wealth, though considerably more negative when asked about very great wealth and very great poverty. Interestingly, 48.7% of interviewees expressed a generally negative impression of the poor, while 34.3% expressed negativity toward the rich.

This brief review suggests that in some generally urban quarters attitudes to private enterprise and private wealth have changed. A significant portion of the population in these places, it would seem, is buying into the idea that they, too, can become wealthier and that that might be a good thing. In other words, we are witnessing a change in identity among these people.<sup>5</sup> We return now to our original question: what have Russian entrepreneurs done to create a sense of legitimacy? We hear media-driven horror stories about the "take-the-money-and-run" approach to capitalism on the part of the super-rich oligarchs, such as the media and automobile mogul, Berezovsky, now in exile in London, or the oil baron, Khodorkovsky, now en route to a Siberian prison term. True stories of the super-rich pumping money out of the country abound. Of course, no one paid the very punishing federal, regional, and local

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<sup>4</sup> Oksana Vanina, REES talk, 04-19-01. I am grateful to Ms. Vanina, a sociologist from Samara, for sharing her research.

<sup>5</sup> As of August, 2000, with the election of Vladimir Putin many people felt that it was clear that, no matter what else he did, Putin would not undertake a Stalinist expropriation of property and business. One reason cited: "the vast majority of the population has a positive attitude towards private ownership" (Aleksandr Tsipko, "Will Putin Confiscate the Oligarch's Property," *Prism*, 6:8 (August 31, 2000), [http://www.jamestown.org/publications\\_details.php?volume\\_id=7&issue\\_id=436&article\\_id=3752](http://www.jamestown.org/publications_details.php?volume_id=7&issue_id=436&article_id=3752), accessed 10-23-05.

taxes, at least before the introduction of the 13% flat tax early in 2001.

Behind the scenes there are more local, smaller-capital entrepreneurs who have done their part to improve the lives of their employees and neighbors, to beautify their neighborhood, or to support cultural life. Our few pilot interviews of 1996 turned up a number of examples of ways that entrepreneurs have "given back." The CEO of Biznes Bank told us that the bank had donated funds to restore the huge Sheremetiev museum in the Moscow region and subsidize the publication of art books, making them affordable for ordinary people. People over 50 in 1991 were among the populations hardest hit by the end of the Soviet Union, and have been among the strongest supporters of the Communist Party. In a smart move, the middle-level knit-clothing firm, Paninter, pays pensions to about 200 retirement-aged people living in the neighborhood of Moscow in which the firm is located (personal interview, June 10, 1996). The firm has vastly improved the look of its neighborhood, and, as it has expanded into other areas of enterprise, has improved the physical plant of those places, as well. Other interviewees were in the process of building capital, one through a boutique shop, one through gentrification of run-down central-Moscow neighborhoods. These people were so far in no position to be "giving back," although the real estate developer was ethical: he made sure to find nice, single-family apartments in good working order for the people from whom he was buying communal apartments.

The CEO of Paninter, Aleksandr Panikin, did a great deal more publicity work to enhance the image of the private entrepreneur. In a way, his oversized public persona combined The Economist (or a Russian version of it), nineteenth-century Russian nationalists known as the Slavophiles, and Jimmy Carter—all in one person. Until his premature

death at 51 years of age in 2002, he appeared frequently on television and wrote on business and economic themes for the newspapers. At his headquarters in Moscow he conducted regular seminars bringing government officials, businesspeople, and academics into the same room to discuss key issues. He renovated a country estate with the idea of founding a "colony" where artists, academics, and other intellectuals could congregate and discuss the burning questions of nation and world.

While historiography attempts to chronicle and evaluate a plausible and reliable version of events as they happen, cultural studies focus, in part, on the "artifacts" that people create when they remember, rethink, and reenact historical events and figures. Cultural studies aim to understand myths (narratives of identity), archetypes (deep-structure human types, e.g. hero, villain/ rogue, leader, kinship types), rituals, and symbols that emerge in human cultures and the value systems and mentalities embedded in them. From this cultural-studies perspective Panikin presents a particularly interesting case of creating an archetype and a myth of the "good entrepreneur." Not only did he act and make a direct impact in his relatively short life, but he left behind a rather rough, spotty, and perhaps not even completely truthful, autobiography. The autobiography was published in the literary journal, Novyi mir, in fall, 1997. (To my knowledge, it is, so far, the only such rags-to-riches story of its kind, unfortunately, because I am interested in collecting other such stories.) Here Panikin attempts, indeed, to project an appealing image of the private entrepreneur as a hero and to create a cultural script that addresses and overcomes the very negative Soviet-era narrative of the capitalist and presents a doable alternative. His unstated goal is clearly to break new ground and make private enterprise and creating real wealth a socially acceptable way of life.



Panikin's autobiography, which in my translation I have titled, Private Wealth—National Vision, may possibly be the first personal account of the inner workings of building a private enterprise in Russia.<sup>6</sup> Growing up on the streets of the southern Russian city, Krasnodar, Panikin knew at an early age that he did not fit the mold of the "good" Soviet citizen. He liked to invent ways to make money and to create networks to produce and sell needed consumer goods. As a student at a theater institute in the 1970s he found legal loopholes in the centralized, state-owned economy that allowed him and his co-workers to manufacture decorative wall masks and sell them on the street. From there, the logic of demand led him to change to production of other consumer goods—earrings, toys, baby clothes—coming by 1990, just before the collapse of the Soviet Union, with his own barely-capitalized, multinational company, Paninter.

Panikin's experience is striking in that he built his own capital base, working legally as much as possible, without having connections with the communist elite (the nomenklatura) but successfully using loopholes in the system to his own advantage. He has built a business in the garment industry that faces stiff competition from Indian and Turkish competitors, and, before his death, the company more than held its own. There was even talk at some point of collaborating with Fruit of the Loom. Panikin writes his life to give proof that Russians can succeed and compete in manufacturing even without a strong capitalist tradition and faced with a bureaucratic and legal environment, which sees private enterprise as an opportunity to line bureaucrats' and policemen's pockets, and a negative popular opinion that, at least, at first hardly tolerated grassroots initiative.

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<sup>6</sup> There are memoirs and tracts from earlier eras. See, for example, Pavel Buryshkin, Moskva kupecheskaia (NY: Chekhov, 1954) and I. A. Kirillov, Pravda staroi very (Moscow: 1916).

Private Wealth—National Vision narrates a process of overcoming broad-based hostility to the notion of private wealth and property. The Soviet State saw itself as the victor over capitalism and its social injustices. Throughout the 74 years of Soviet rule instincts of private economic gain were supposed to have been eradicated through education and indoctrination—or, failing that, through imprisonment and even execution. The new economic ideal was the selfless industrial shock worker, the udarnik, endowed with promethean energies, who put the state and the collective before personal gain.

The American media justifiably projects the impression that post-Soviet capitalism is wild and chaotic, lacking a firm legal basis to defend the rights of ownership.<sup>7</sup> The post-Soviet market economy is typically described as a situation in which a few men belonging the former Communist elite, the nomenklatura, are in control. They have now changed their ideological stripes and are using their position to pump money and resources as fast as possible out of the country into foreign banks and companies.

Although the self-serving oligarchy and equally self-serving state are undeniably dominant in the economic picture of contemporary Russia, Panikin's autobiography offers us the more hopeful view of a self-made man and his struggle for success. Panikin paints a refreshingly concrete, if self-aggrandizing picture of a manufacturer who rose from the ranks of the urban poor to beat the Soviet bureaucracy at its own game. His story shows exactly how hard it was for an ordinary person without contacts in the all-powerful Communist Party to fight the status quo and to bypass tight restrictions on cash, real estate, and raw materials. Private Wealth—National Vision is a tribute to the boundless energy that it took to create an industry that eventually came in the

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<sup>7</sup> See, for example, Alessandra Stanley, "A Capitalist Democracy Marx Could Recognize," New York Times, November 26, 1995, 4; Edward Luttwak, "What the Mafia's Good For," Washington Post, February 12, 1996, 23.

post-Soviet world to compete successfully in price and quality with imported goods.

Panikin's story starts in the 1970s, a repressive time, when Leonid Brezhnev was Chair of the Communist Party and President of the Soviet Union. The economy was so bad that Brezhnev was importing grain from the United States. Panikin grew up in a country with a so-called "command economy" (the opposite of a market economy). In the Soviet Union every step of planning, distribution of materials, production of goods, and sales was controlled by a tiny elite in the Politburo and the Council of Ministers at the top of the gigantic Soviet economic pyramid. This command economy was characterized by state ownership, compulsory government employment, tight control of raw materials, and a scarcity of badly needed consumer goods.

At the foundation of the Soviet economic system was government ownership of all land and buildings. There were no private businesses. Although all businesses were owned by the state, even these state enterprises had to rent the buildings and land that they occupied. No one could own real estate until 2001 or sell it until 2002.<sup>8</sup>

Everyone in the Soviet Union was compelled by law to have a job controlled in some way by the state and the party. The Soviet state was like one giant firm with thousands of different arms. Whether one was a teacher, a factory director, an actor, or a salesperson, one was always a state employee.

There were two exceptions to this rule of state employment: peasants working on communal farms and artists. An important loophole that allowed Panikin to start the process of building capital was the Soviet law permitting artists and artisans to obtain licenses to work for themselves as long as they did not employ other people. As Panikin

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<sup>8</sup> [http://www.rdiland.org/OURWORK/OurWork\\_FSU.html](http://www.rdiland.org/OURWORK/OurWork_FSU.html), accessed 10-23-05.

points out, this law was an extremely well kept secret, so well kept that hardly anybody knew about it. Panikin used it to create what became a large cottage industry. By the mid-1980s, he had over fifty people working "for themselves," making various knick-knacks, toys, and clothing. Selling these products on the street was illegal, and this process became a constant cat-and-mouse game with the police.

While continuing to build his business, Panikin was careful to keep some sort of official job in the theater. Despite the law on individual labor, a person was wise to hold some form of state employment on pain of being labeled a tuneyádets or a parasite, the punishment for which might be a term in prison. In one way or another, the state could control each and every citizen through access to employment.

Panikin devotes considerable attention to the amounts of money that he accumulated. The reason is to emphasize the increasingly high risk that he was taking. Soviet financial policy was aimed at making money valueless and thereby curbing grassroots economic initiative. This way the state could deny the ordinary person the social mobility and opportunity to gather liquid wealth that money provides, and concentrate greater power and control in itself. Because of this devaluation of money, the comfortable life—access to nice housing, good quality food, the chance to travel abroad depended in large part on one's position in the state hierarchy. Wellbeing depended on the ability to barter the perquisites of one's job—be they theater tickets, travel opportunities, fresh produce, or an apartment—for what one needed.

Under the Soviet regime cash was used only at the end stage of the chain of production and distribution. Raw materials were distributed according to the blueprint laid out in the five-year plan drawn up by

Gosplan, the State planning commission, working closely with the Council of Ministers and the Politburo. Here no cash was transferred, and state companies used only clearing, non-cash accounts where no money changed hands, and accounts were kept on paper. The same was true for the distribution of produced goods. These would be picked up at the factory and delivered to a wholesale warehouse (optovaia baza). From there the goods would be delivered to individual stores. The cash collected from sales would then be delivered to the State Bank for eventual redistribution as wages according to the five-year plan.

Consumers used their pay (which they received in cash since there was no such things as checks) to purchase consumer items: food, clothes, medicine, and other necessities. Whatever might be left over they could keep in a savings account at the State Savings Bank (Sberbank). This was an institution unlike any Western bank. It offered no interest on bank accounts and worked in close cooperation with the police. It was almost impossible for an ordinary person to build up cash wealth. In the 1980s the average monthly wages were approximately 200 rubles. Some daily needs were covered through distribution of food of better-than-average quality through one's job. An employee regularly received a portion of food, often of better quality and at lower prices, through the ordering department at his workplace (otdel zakazov). More or less free vacations also were available through work. Beyond that, since one had to pay for everything out of one's salary—rent (low as it was), clothing, food, telephone—very little would end up in the savings bank. A typical bank account held about 1200 rubles.<sup>9</sup> 3000 rubles would be enough to buy a tiny car, the Zaporozhets. Since government organs could and did monitor bank accounts, already a bank account of 5000 rubles would attract attention. With this kind of money one could buy a

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<sup>9</sup>Thanks to Dr. Olga Kryshnanovskaia, a sociologist, specializing in the post-Soviet business elite, for this information.

Zhiguli, the Russian Fiat, which was considered by most people to be a luxury car. This was the car that Panikin first owned while he was a student in the 1970s, and it raised a lot of eyebrows. Most Soviets would already suspect a person with that much money of engaging in criminal activities, and that person would eventually come to the attention of the local party committee and the police.

If one had 10,000 rubles or more, as Panikin soon did, one could draw the attention of the dreaded OBKhSS (Otdel po bor'be s khishcheniiami sotsialisticheskoi sobstvennosti) or the Department for Fighting Theft of Socialist Property, or, more simply put, the Economic Crimes Division. The purpose of this department was to curtail personal use of the country's raw materials and finished products. The punishment for being caught could be severe—release from one's job, imprisonment, and even execution. It is worth noting that as late as the Andropov regime in 1982 and 1983, the famous "token" entrepreneur, Yeliseyev, who ran a large delicatessen in the center of Moscow, was executed for alleged economic crimes.

To cut down on pilferage and theft—that is, the diversion of materials from the state to the private arena—raw materials were distributed to factories according to the five-year plan, but could only be legally purchased by ordinary citizens in a store where they would be available in very small amounts, if at all. This very cumbersome system, as Panikin implies, led to difficulties for factory directors themselves. Often materials, if they were delivered, were delivered in the wrong amount. Directors had to use their ingenuity to obtain the necessary materials and produce the necessary quota of goods in the allotted amount of time. In fact, quite a bit of trading of raw materials went on between factories, all of which had to be non-cash transfers or barter trade.

The same held true for rejected products that were deemed to be of too poor quality to be sold in a store. These would be taken to a recycling station where they would be destroyed or restored as usable raw material. An ordinary person like Panikin might be able to get such materials only if they met two conditions—if they had an official document stating that the goods were needed at their place of work and if they could bring some materials of approximately the same weight to barter. Thus, Panikin's risk-taking behavior—for example, his warehousing tons of plaster of Paris (for decorative wall masks, and his quest for materials, even when they are only rejected nylon stockings (for making butterfly pins) or a bit of insulation (for baby shoes)—takes on epic proportions. If he had been caught with all this material, it would have been assumed that he had stolen it.

It should be noted here that Panikin's memoir is unique for the clarity with which he lays out the underground network of non-official trading routes that allowed the inflexible Soviet regime to function as long as it did. In a sense, anyone who achieved anything of quality had to bend the rules more than a little.

The final point about the Soviet economy that can help us understand Panikin's success in building up capital, and then in creating acceptance for it, is the overwhelming demand for consumer goods and services. Under the Soviet regime they were at the bottom of the list of state-planning priorities and thus rare and of poor quality. At the top of the list were military and other heavy-industrial interests. In addition, Marxist-Leninist theory emphasized production rather than consumption, so that consumer services did not even count as part of the national economy. Production of consumer goods, like almost everything in the centrally planned command economy, was a clumsy affair at best. Central planning with its hierarchical structure was not

nearly as sensitive to consumer demand as a market economy is. A market economy is motivated by orders from customers, while the Soviet centrally planned economy was motivated by numbers, that is, a high quantity of production. In this centralized economy there was no principle of profitability. On the contrary, price setting seemed at best a secondary consideration. Prices in the Soviet era would be revised only once every decade or so and thus had no relation to real demand. There was no device for measuring consumer demand except the oversized hierarchy linking ministers at the top, factory directors in the middle, and salespeople at the bottom. Of greatest importance typically for the factory directors in the middle of the hierarchy was to meet the imposed quotas and thus to receive the rewards from on high that accrued to those who fulfilled the five-year plan. For their part, the salespeople at street level knew all too well that they were working in a sellers' market in which there was a continual deficit of desirable goods. Often they would play that market for all it was worth, hoarding, speculating, and bartering their goods for other goods and services. They became part of a large black market in which goods were sold at high prices much closer to their appropriate value in a deficit economy.

By the 1970s, when city people's minimal needs were being met and they were accumulating some disposable income, there was ever increasing demand for interesting, fashionable, and well-made consumer products. Usually these goods came from such Soviet bloc countries as Hungary, Poland, or Czechoslovakia, and less frequently from the West. Soon Russians like Panikin learned to make and sell similar items at much lower prices. This demand gave Panikin with his cheap wall decorations, earrings, toys, and clothes a large and willing, if decidedly suspicious, clientele.



When Mikhail Gorbachev came to power in March, 1985, the Soviet economy was already in shambles, and everyone in the planning and producing process knew it. Although there was a great deal of discussion about renewing the economy, five years were lost in doing nothing. Everyone talked, some promising laws were passed, but there were few concrete results. The economic situation continued to deteriorate, and Gorbachev was caught in a contradiction. Although he remained loyal to the Soviet command economic structure, he insisted that grassroots economic initiative must be loosened in order to revitalize the economy. It was impossible to give rein to private initiative and still privilege the institutions of a centralized economy aimed at reining in private initiative. One could not have one's cake and eat it, too. Gorbachev's major push to loosen the command structure came in January 1988, when his Law on State Enterprises was passed. State enterprise directors were to be given greater independence from Gosplan and workers more of a voice in the administration of the firm. Neither stipulation helped since central control of access and distribution remained in tact.

The next step came in May 1988 with the law legalizing certain kinds of private business, called "cooperatives." Most of these were in the service sector, such as shops and restaurants, although a few, like Panikin's cooperative Shuttle, manufactured goods, working on contract with factories. The factories would provide materials, and the cooperatives would produce finished products. This system, too, worked poorly, although many thousands of cooperatives came into being. Factory directors perceived the cooperatives to be direct competitors and tended to use their advantages, such as access to materials, capital, machinery, and space, to strangle the new producers. Panikin's answer was unusual. He had capital on hand, which most people did not,

that permitted him to take control of the whole production process for knitting jersey cloth, dyeing it and producing finished clothes. Eventually he became fully independent of the state factories. In this move he was one of only a handful of new manufacturers.<sup>10</sup>

Even in 1988, before the two laws of 1990 authorizing private ownership and the formation of any kind of corporation, Panikin won out and created a company, Paninter, of a significant size, which by the end of the century grew to about 2000 workers. In 1990 Panikin was able to start what on paper looked like a multinational venture. Just as the law on corporations passed late in 1990, he created a German arm of his company that then made it possible for him to purchase high-quality European knitting machinery and to import it.

What Gorbachev failed to do in the seven years of his presidency was to create a legal structure that would provide the stability necessary to support and encourage Russians as they ventured into private industrial production. Soon after the failure of the cooperative movement and the fall of the Soviet Union in December, 1991, most would-be producers went under, conquered by the continuing resistance to private initiative on the part of the ministries and state enterprises. Access to materials remained all but closed. Many of those people became traders, selling whatever they were given to sell, or engaging in the import and export of goods. It took a resolute person of enormous ingenuity, such as Panikin, to find his way through all the pitfalls and traps that drove most Russians away from production and back to trade.

It should, of course, be noted that, despite state oppression and public suspicion of businesspeople and their wealth, Russia has seen a persistent stream of private enterprise. Throughout the last decades of

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<sup>10</sup> For a good overview, see: [http://kommersant.com/tree.asp?rubric=3&node=34&doc\\_id=290161](http://kommersant.com/tree.asp?rubric=3&node=34&doc_id=290161), accessed 10-23-05.

the Soviet regime many consumers turned to the services of black marketeers out of desperation. Nevertheless, these traders like their predecessors of the NEP period and of tsarist times had no legitimacy, much as loan sharks and the like do not in American culture. They focused on quick wealth and rarely thought of the public good. Panikin stands out against all these negative stereotypes of the self-serving nomenklatura, the street shysters, and the mafia. At times, he takes on a somewhat didactic tone, teaching his reader what qualities the good entrepreneur should have. One of his goals is indeed to forge a more positive image of Russian business, one that links private wealth with a national vision of the future.

In his autobiography Panikin has formed what could eventually become the basis for a new Russian "myth" of the good, ethical entrepreneur. It should not be surprising that many countries with a successful history of capitalist development also have a culture hero who is an entrepreneur. The Germans had Faust who was willing to take tremendous risk and who welcomed continual change in his life. Americans looked affectionately to Horatio Alger, the American icon of the man who made good. The English had Robinson Crusoe, among others, who represented the positive power of economic individualism to amass wealth, improve nature, and raise the quality of human life. In Private Wealth-National Vision, Panikin wants to project an image of an ethical self-made man. He starts by showing how, as a young boy, he was different from most of his fellow Soviets. Even while in school, he loved to make money. To start with, he was not concerned that he was actually stealing money: he made contraptions that would let him steal money out of public pay phones.

Panikin soon addresses the Soviet stereotype of the capitalist as a moneybags, who surrounds himself with luxury. As a student, after he had made his first 20,000 rubles, he lived the high life:

I grew up in a family without much money . . . . and, to start with, my goal was to earn lots of money. Now I felt independent, I was the first student at my institute to buy a car. For several months I enjoyed throwing money around, I was young and lived to party. I had everything I could want. . . My naïve delight in the power of money did not last long. . . All those pleasures began to bore me, and I got depressed. (Panikin, Private Wealth, 13, with stylistic corrections).

Panikin then "teaches" us that "money is a good servant but a poor master" and that money is an "illusory bastion of freedom" (13). In his image of the good entrepreneur, money is valuable "as a means for achieving goals." One needs to "seek the real purpose for which he was created" (13).

Panikin challenges the Soviet stereotype of the capitalist again, when talking about police searching his apartment when he was arrested in 1987:

The detectives avidly searched my place. They parked their bus right at the entryway in order more easily to remove all the possessions that they were sure they would find. They were astonished to find nothing but the sparest furnishings— chairs with worn upholstery, an ancient wardrobe—less than modest. We slept on a second-hand sofa that we had covered with a child's blanket—we just did not spend anything on ourselves. We had long since lost interest in the high life . . . . They riffled through all the corners of the apartment. . . . They expected to find gold and precious gems. Beyond our video player and our library

we had nothing. Not one ruble. (Panikin, 45, with stylistic corrections).

Panikin argues that the police could not catch him because of their Soviet-era stereotype of the entrepreneur: "they had a one-dimensional view of the world. . . . They were sure that since I had cash, it would certainly burn holes in my pockets. According to their scenario, I should have bought furniture, antiques, and gold. They could not understand that I am drawn to higher, seemingly unreachable goals. I lived in a parallel world to theirs" (Panikin, 45, with stylistic corrections). Panikin concludes: "they drowned in their own stereotypes" (45).

What is so Russian about Panikin's image? First, the careless bravado with which he does everything—he is, or was, clearly an irascible, impetuous, imperious man, who never took no for an answer, and whose life swung from crisis to crisis (Panikin, 58, 69). The tone of much of his autobiography has the hyperbolic tone of the Stalinist industrial epic, with the shock worker heroically completing his task against all odds. We get a small taste from the following description of building stories on top of the building in which his workers were sewing clothes:

The most impressive [work] was the construction of a four-story sewing factory at Lyusinovskaya 27. The third and fourth floors were being built even as the garment workers made clothes on the first and second floors. Everyone felt that something exciting was happening. There was the same kind of enthusiasm that we all had seen when the Dnepr Hydroelectric Plant was being built a long time ago.<sup>11</sup> You could not explain it, but people who came to work with us dropped the bad habit of drinking on the job

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<sup>11</sup>The large hydroelectric dam was built in 1964 in Dneprodzerzhinsk.

(although they never did stop sitting in a circle under five-ton slabs of concrete that were being moved over their heads). Soon three hundred square meters of floor space had become 1500 square meters (Panikin, Private Wealth, 63).

In hyperbolic Marxist-Leninist historical terms, Panikin sees his enterprise leaping over whole eras of economic history. As of 1992, he claims that his joint-venture company Paninter was "just about the only business to have moved beyond cottage industry. . . . It was as if we had left one century, the century of handicrafts, and entered another, the century of industry" (Panikin, 66, with stylistic corrections).

In his autobiography Panikin stresses his completely uncanonical religious belief. In the West, as Max Weber famously showed us, capitalism and the authority to accumulate private capital came from a Protestant belief in personal predestination and in a personal, unmediated relationship with one's God. However, Panikin is most unusual for the Russian world, in which Russian Orthodoxy has traditionally preached poverty, passivity, and asceticism. He is an odd sort of protestant, driven by a strong, inner sense of fate. Although at times he seems very self-willed, he personally believes in fate—that he must play out the part that has been handed to him. He attributes his success in fighting the economic crimes police to staying to his preordained path: "The Most High safeguards those who follow their predestined path. Do not diverge, and everything will come out well" (Panikin, 44). This firm inner conviction helped Panikin to withstand and even prosper in one of the most coercive states in world history.

It is of the greatest importance that Panikin's voice in defense of private wealth appeared in the mainstream Russian press. Readers were exposed to the views of a businessperson who believed that there ought to be what Ann Cudd praised in her paper on contemporary American

capitalism in this seminar, some firm "rules of the game." They could read about an entrepreneur who believed strongly in giving back to his community through philanthropy and through being a social leader. During his short life, Panikin helped to rejuvenate his small pieces of Russian turf and Russian society by creating his own entrepreneurial "microworld."

Beyond asking, as the original description of the "Capitalism and Culture" colloquium did, how the process of developing market-based economies has reshaped local or national cultural norms, we should also examine how non-western national traditions are remolding Western-European/ US models of capitalist enterprise in their own image. What meaning do money, initiative, and private wealth hold in the Russian system of values and cultural identity? For example, American attitudes toward wealth have been characterized as "economic individualism"—which prioritizes personal wealth, gives a great deal of latitude to individuals in what they do with materials and land, and lessens the control of the government and various social collectives have over individual citizens. In Russia, by contrast, the state and social collective have long overshadowed individual economic initiative, which strongly influences economic and other spheres of cultural activity. In archetypal terms, as we saw in the old-Moscow epigraph, the entrepreneur has often occupied the role of the "bad son," who acts without the blessing of the parent (the state, the collective). In the post-Soviet era those deep cultural structures are still very much in place, though there is certainly greater acceptance of capitalist entrepreneurship. More than the controversial oligarchs, Panikin and other middle-level entrepreneurs have done a great deal to establish some small measure of

trust that has been lacking in Russian business culture for so long.<sup>12</sup> By building economic “microworlds,” those oases of business that benefit ordinary people, neighbors, cultural life, as well as bring profit, Panikin hoped eventually to spread well-being to larger areas of Russia:

As of 1997 we are probably the only live, developing light-industry unit in Moscow and perhaps even in all Russia. As we develop, we pull others into our orbit. We place our orders with enterprises that have fallen on hard times and can offer work to people who have been going without for a long time. Only through enterprises that have adapted to the market and have proven their vitality can there be a rebirth of Russian industry. If the government and its policies support this process, then the chances become greater that Russia will emerge as a full partner in the global community. We must take this path if we want Russia to remain a player in today’s harsh world order (Panikin, 72).

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<sup>12</sup> Note Aleksandr Tsipko’s comment in: “Will Putin Confiscate the Oligarch’s Property,” *Prism*, 6:8 (August 31, 2000), [http://www.jamestown.org/publications\\_details.php?volume\\_id=7&issue\\_id=436&article\\_id=3752](http://www.jamestown.org/publications_details.php?volume_id=7&issue_id=436&article_id=3752), accessed 10-23-05: “The textile magnate Aleksandr Panikin, who manufactures cheap clothes and dairy products, is popular even among communists, among those who vote for Zyuganov.”



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